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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000620

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SUBJECT: PREMIER-DESIGNATE LIU CHAO-HSUAN ON HIGH
EXPECTATIONS, CROSS-STRAIT RELATIONS

REF: TAIPEI 508

Classified By: AIT Director Stephen M. Young, Reason(s): 1.4 (B/D).

11. (C) Summary: Premier-designate Liu Chao-hsuan told the Director during a May 2 meeting that he had not expected to be named Premier, and that he was leaving academic life somewhat reluctantly. The public expects too much, too soon, from the incoming Ma administration, he lamented, leaving Ma and his staff little time to prepare and even less room for error. Liu said that because he, Ma and Vice President-elect Siew are old friends, he would not resent Siew taking the lead on economic reforms. Cross-strait relations are off to a "very good start," and relations were "friendly" even after Lai Hsin-yuan's controversial appointment as MAC Chairwoman. Liu agreed that Taiwan and China should pursue cooperation where it is easiest, reserving more difficult questions for later. Taiwan will no longer cause trouble in the region, Liu promised, and will seek to contribute to the international community where it can. End summary.

Reluctant Premier?

12. (C) Premier-designate Liu Chao-hsuan (see reftel) told the Director that his nomination to the premiership had been somewhat unexpected. He was trying to make the best of the transition, which had been interesting, but stressful. Liu, currently President of Soochow University, also confided that his family was similarly ambivalent. They were aware of the good he could do as Premier, but fearing the job would subject him to merciless press criticism and a draining work schedule. Liu joked that being a political figure in Taiwan is much like "a rat crossing the street," where everyone tries to run you over.

High Expectations Tightrope

13. (C) The Director noted the overwhelming support for Ma and the KMT in recent elections, especially among Taiwan's young people, who have high hopes that Ma and his administration will be able to deliver economic opportunity. Liu acknowledged that high voter support for the KMT would now saddle the new government with unrealistically high expectations. The Ma administration must hit the ground running if it is to address those expectations, Liu continued, which explains why 40 percent of the new cabinet was taken from the last KMT administration. Some talented contenders were disappointed at not being named, Liu added,

but this is often the case in building a new administration.

Liu Rules Out Power Struggle Between VP and Premier

¶4. (C) Vice President-elect Vincent Siew (Wan-chang) is an experienced economist and administrator, noted the Director, and it is widely expected that he will play a more active role than past Vice Presidents, especially on economic policy. Might this cause friction within the administration? Siew's experience and wisdom are a "precious asset" for the incoming government, Liu replied, and it is constitutionally within the President's power to assign as much or as little authority to the Vice President as he deems fit. Liu added that he, Ma, and Siew enjoy a "close, collegial relationship," forged during years of working together (see Bio Note, below). If Ma chooses to give Siew a major role, the three of them will be able to work out the particulars amicably, without a power struggle. Liu told the Director that Ma has made it "very clear" that while he is "head of state," Liu is "head of government." Liu suggested Ma's remarks indicate that Liu would have final say (or at least considerable input) on any power-sharing arrangement with Siew, and that such an arrangement would be within constitutional bounds. (Note: Taiwan's constitution vests the president with authority over Taiwan's armed forces and foreign relations, including cross-Straits relations. The Premier, as president of the Executive Yuan, is in charge of domestic affairs. End note.)

Cross-Straits Off to Good Start

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¶5. (C) Liu said he and Ma were both pleased that cross-Straits relations were off to a "very good start," notwithstanding the recent tumult over former TSU legislator Lai Hsin-yuan's appointment as MAC Chairwoman. Liu said they had expected the negative domestic reaction to Lai's appointment, but acknowledged that Ma had been taken aback by its scope and intensity. Liu stressed that Lai and others, including himself, would have to be team players, or leave the administration. He argued that Beijing's stance toward Taiwan remained "friendly" even after Lai's nomination, reflecting Beijing's greater "patience" and caution. The Beijing leadership wants to get a better sense of where the Ma administration is headed before saying anything that might damage the developing relationship.

¶6. (C) The Director remarked that Beijing over the past decade or so had become accustomed to managing Taiwan-related crises. But some commentators have questioned whether it is ready to capitalize on the opportunities created by Ma's presidency. Liu agreed, adding that even though some senior CCP leaders had already adopted a friendlier stance toward Taiwan, China's foreign policy institutions are so large and the ideology so deeply entrenched that widespread change will take "a long time." Taiwan must be patient, replied the Director, and seek progress where it is easiest, including cross-Straits flights and increased tourism, reserving complicated issues for later. The U.S. remains Taiwan's best friend, and is doing what it can to encourage dialogue, as evidenced by President Bush's post-election telephone call to President Hu. Liu expressed appreciation for the U.S.'s continued support, and reiterated Ma Ying-jeou's pledge that Taiwan would no longer be a troublemaker in the region. Although there is less anxiety in Washington over Ma's inaugural address, said the Director, both Beijing and Washington will be paying close attention to the tone and content of Ma's remarks on cross-Straits relations.

Pragmatic Foreign Policy

¶7. (C) The Director observed that Taiwan had managed to build

strong substantive relations with many of its non-official "diplomatic" partners, including the EU, Canada, Japan, and the UK, all of which pay close attention to and support Taiwan's increased participation in international organizations. Taiwan should continue to strengthen economic, academic and other ties with these and other non-official allies to improve its international position. Liu agreed, and asserted that Taiwan under Ma would continue to contribute to the international community when and where it could. The Director lauded Taiwan's contributions to prevent terrorism, and expressed optimism that Taiwan's work to improve intellectual property rights would soon result in its removal from the IPR "watch list."

Bio Note

18. (SBU) President Lee Teng-hui named Liu (Transportation) and Ma (Justice) to his cabinet in 1993. At the same time, Siew headed the Council for Economic Planning and Development (CEPD). Liu later served under then-Premier Siew as Vice Premier, from 1997-2000. Liu is married, with two adult daughters and one adult son. His wife holds a Ph.D. in biochemistry, and works in Taiwan's food science industry. The eldest daughter is a computer science professor at Georgia Tech, and the son is seeking his Ph.D. in chemistry at the University of Texas, Austin. The younger daughter works in Taiwan's television broadcasting industry.

Comment

19. (C) Liu impressed us as suitably humbled by his recent appointment and anxious to be a team player. His past relationship to Vincent Siew undoubtedly resulted in Liu's appointment, and should smooth working relations if Siew plays a leading role in economic policy, as most expect. But we have also heard that Liu can be a demanding boss, so his

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ability to manage down effectively will also be closely watched.
YOUNG